Forestry Innovation Investment Ltd.

FINANCIAL INFORMATION ACT STATEMENT AND SCHEDULES

Year ended March 31, 2012

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Forestry Innovation Investment Ltd.

Statement of Financial Information Approval

FIR, Schedule 1, section 9

The undersigned represents the Board of Directors of Forestry Innovation Investment Ltd.
and approves all the statements and schedules included in this Statement of Financial Information,
produced under the Financial Information Act.

Dana Hayden
Board Member
Date:

Management's Responsibility for Financial Statements

Scope of Responsibility

Management has supervised preparation of the accompanying consolidated financial statements and related note disclosures and is responsible for their integrity and objectivity. The consolidated financial statements of Forestry Innovation Investment Ltd. (FII) have been prepared by management in accordance with Public Sector Accounting Standards (PSAB). We believe that these consolidated financial statements present fairly FII's financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the consolidated statements of operations, changes in net assets, and cash flows for the years ending March 31, 2012 and March 31, 2011 and that the other information contained in the Company's annual report is consistent with the consolidated financial statements as presented.

Internal Controls

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit Committee is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee has reviewed these consolidated statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditors

The Auditor General of British Columbia has performed an independent audit of the financial statements of Forestry Innovation Investment Ltd. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Forestry Innovation Investment Ltd.

Ken Baker
Chief Executive Officer
Vancouver, British Columbia
May 30, 2012

Douglas Greig
Vice President, Finance and Administration

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Forestry Innovation Investment Ltd., and
To the Minister of Jobs, Tourism and Innovation, Province of British Columbia

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Forestry Innovation Investment Ltd. ("the Entity") and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, and the consolidated statements of operations, consolidated statements of changes in net assets and consolidated statements of cash flow for the years ended March 31, 2012, and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Forestry Innovation Investment Ltd. and its subsidiary as at March 31, 2012, March 31, 2011, and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012, and March 31, 2011, in accordance with Public Sector Accounting Standards.

Victoria, British Columbia
June 7, 2012

John Doyle, MAcc, CA
Auditor General

FORESTRY INNOVATION INVESTMENT LTD.

Consolidated Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010
(in thousands of dollars)

	March 31, 2012	March 31, 2011 (Restated - Note 3)	April 1, 2010 (Restated Note 3)
Financial assets:			
Cash	$ 1,857	$ 7,858	$ -
Accounts receivable	82	214	34
Recipient advances (note 4)	467	317	533
Due from other governments	81	1,146	4,300
Total financial assets	2,487	9,535	4,867
Liabilities:			
Bank indebtedness	-	-	277
Accounts payable and accrued liabilities (note 5)	1,332	2,458	1,572
Future employee benefit (note 6)	171	171	171
Due to Province of British Columbia (note 7)	280	104	709
Deferred contributions (note 8)	186	6,217	1,327
Note payable (note 9)	-	-	1,561
Total liabilities	1,969	8,950	5,617
Net financial asset (debt)	518	585	(750)
Non-financial assets:			
Tangible capital assets (note 10)	292	281	480
Prepaid expenses	360	284	1,334
Total non-financial assets	652	565	1,814
Accumulated surplus (note 11)	$ 1,170	$ 1,150	$ 1,064

Commitments (note 12)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:

Director

Director

FORESTRY INNOVATION INVESTMENT LTD.

Consolidated Statements of Operations and Accumulated Surplus

Years ended March 31, 2012 and March 31, 2011
(in thousands of dollars)

	2012 Budget (Note 2(g))	2012	2011 (Restated - Note 3)
Revenue:			
Government contributions - Provincial	$ 18,800	$ 20,520	$ 21,996
Government contributions – Federal	130	117	3,702
Government contributions – Other	312	284	332
Other revenue – Industry Contribution	780	762	75
Investment income	-	38	27
	20,022	21,721	26,132
Expenses:			
Funding recipient initiatives (note 15)	9,356	8,203	9,574
Market initiatives and outreach			
FII Vancouver (note 15)	5,574	7,271	4,893
FII China (note 15)	4,022	4,796	10,278
Corporate services (note 15)	1,070	1,431	1,301
	20,022	21,701	26,046
Annual surplus	-	20	86
Accumulated surplus, beginning of year	1,150	1,150	1,064
Accumulated surplus, end of year	$ 1,150	$ 1,170	$ 1,150

The accompanying notes are an integral part of these consolidated financial statements.

FORESTRY INNOVATION INVESTMENT LTD.

Statements of Changes in Net Financial Assets (Debt)

Years ended March 31, 2012 and March 31, 2011
(in thousands of dollars)

	2012 Budget (Note 2(g))	2012	2011 (Restated - Note 3)
Annual surplus	$ -	$ 20	$ 86
Acquisition of tangible capital assets	(50)	(204)	(48)
Amortization of tangible capital assets	200	193	247
Use (acquisition) of prepaid expenses	-	(76)	1,050
Increase (decrease) in net financial assets (debt)	150	(67)	1,335
Net financial assets (debt), beginning of year	585	585	(750)
Net financial assets, end of year	$ 735	$ 518	$ 585

The accompanying notes are an integral part of these consolidated financial statements.

FORESTRY INNOVATION INVESTMENT LTD.

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and March 31, 2011
(in thousands of dollars)

	2012	2011 (Restated – Note 3)
Cash provided by (used in) operating activities:		
Annual surplus	$ 20	$ 86
Items not involving cash:		
Amortization of tangible capital assets	193	247
Decrease in accounts receivable	1,197	2,974
Decrease (increase) in recipient advances	(150)	216
Increase (decrease) in accounts payable and accrued liabilities	(1,126)	886
Decrease (increase) in prepaid expenses	(76)	1,050
	58	5,459
Cash used in capital activities:		
Acquisition of tangible capital assets	(204)	(48)
Cash provided by (used in) financing activities:		
Change in due to Province of British Columbia	176	(605)
Change in deferred contributions	(6,031)	4,890
Repayment of note payable	-	(1,561)
	(5,855)	2,724
Increase (decrease) in cash	(6,001)	8,135
Cash, beginning of year (includes bank indebtedness)	7,858	(277)
Cash, end of year	$ 1,857	$ 7,858

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of business:

Forestry Innovation Investment Ltd. (the "Company") was incorporated on March 31, 2003 under the laws of the Province of British Columbia (the "Province"). A board of directors governs the Company, and all directors are appointed by the Province. The Company's principal activities are to fund forest industry associations and research institutions and to deliver market development and market initiatives and outreach programs.

2. Significant accounting policies:

(a) Basis of accounting

In 2010, direction was provided by the Provincial Treasury Board ("Treasury Board") through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported government reporting entities, other than education and health sector organizations, to adopt Public Sector Accounting Board ("PSAB") standards of the Canadian Institute of Chartered Accountants ("CICA") without any PS4200 elections for their first fiscal year commencing after January 1, 2011.

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers" that applies to all fiscal periods beginning on or after April 1, 2012. The standard encourages early adoption, and may be applied retroactively or prospectively. Forestry Innovation Investment Ltd. has chosen to early adopt the new standard for fiscal 2012 and is applying it prospectively. In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the Company before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in note 2(c)(i) and note 2(c)(ii).

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above. These are the Company's first consolidated financial statements in accordance with the financial reporting framework described above.

An explanation of how the transition to the financial reporting framework described above has affected the reported financial position and results of operations of the Company is provided in note 3. Note 3 includes reconciliations of accumulated surplus and annual surplus for the comparative period and of accumulated surplus at the date of transition reported under previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to those reported for those periods and at the date of transition under the financial reporting framework described above.

2. Significant accounting policies (continued):

(b) Reporting entity and basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of the Company consolidated with FII Consulting (Shanghai) Co., Ltd. ("FII Shanghai"), a wholly owned subsidiary registered under the laws of the People's Republic of China. Based in Shanghai, China, FII Shangnai administers market development programs in China on behalf of the Company. The subsidiary is consolidated on a line-by-line basis after inter-organizational transactions and balances between these entities have been eliminated.

(c) Revenue recognition:

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions include amounts from the Province, the Canadian Federal Government, and the Beichuan Municipal County received for specific purposes. Restricted contributions are reported as revenue depending on the nature of the restrictions on the use of funds by the contributors as follows:

(i) Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred contributions. Deferred contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of the acquired depreciable tangible capital asset used to provide services. There is no restricted capital funding.

(ii) Contributions received or receivable for a purpose other than acquiring a depreciable tangible capital asset for use in providing services are recorded as deferred contributions. Deferred contributions are reduced and the associated revenue recognized in the fiscal period during which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

2. Significant accounting policies (continued):

(d) Program expenses:

Program expenses include amounts transferred to recipient organizations based on recipient funding contracts to carry out specific program activities. Amounts transferred are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the recipient, and reasonable estimates of the amounts can be made.

(e) Non-financial assets:

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Computer equipment	3 years
Computer software	2 years
Furniture and equipment	5 years
Leasehold improvements	lesser of the lease term and its useful life
Tradeshow booths	3 years

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

(iii) Interest capitalization

The Company does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(iv) Intangible assets

Intangible assets are not recognized in these financial statements under PSAB.

2. Significant accounting policies (continued):

(f) Foreign currency translation:

These consolidated financial are stated in Canadian dollars. The Company's foreign operations, conducted through FII Shanghai, are considered financially interdependent with the Company, and are translated from Chinese RMB using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at the spot exchange rates in effect at the date of the statements of financial position; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenue and expense items are translated at monthly average exchange rates in effect during the month in which the transaction occurred, except for amortization which is translated at the historical exchange rate of the corresponding non-monetary item. Realized exchange gains and losses are included in the consolidated statements of operations.

(g) Budget:

Budget data presented in these consolidated financial statements is based on the Company's Service Plans. The budget was approved by the Board of Directors on July 11, 2011.

(h) Use of estimates:

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the allowance for recipient advances and useful lives of property and equipment. Actual results could differ from those estimates.

(i) Segment disclosures:

A segment is defined as a distinguishable activity or group of activities of a government for which is it is appropriate to separately report financial information to achieve the objective of the standard. The Company has provided definitions of segments used by the Company as well as presented financial information in segmented format in note 15.

3. Adoption of new accounting framework:

Commencing with the 2012 fiscal year, the Company has adopted the financial reporting framework described in note 2(a). These consolidated financial statements are the first consolidated financial statements for which the Company has applied this financial reporting framework.

The impact of the conversion to the financial reporting framework described in note 2(a) on the accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

The Company has made no transitional elections as at the transition date of April 1, 2010 on the first time adoption of the financial reporting framework described in note 2(a).

Reconciliation of Canadian GAAP to the financial reporting framework described in note 2(a)

Reconciliation of accumulated surplus from Canadian GAAP to the financial reporting framework described in note 2(a) as at April 1, 2010:

Accumulated surplus, as previously reported	$	456
Differences:		
Recognition of contributions spent on tangible capital assets (a)		480
Recognition of contributions spent on advance deposit (a)		128
Accumulated surplus, as restated	$	1,064

Reconciliation of annual surplus from Canadian GAAP to the financial reporting framework described in note 2(a) for the year ended March 31, 2011:

Annual surplus, as previously reported	$	286
Differences		
Recognition of contributions spent on tangible capital assets (a)		(200)
Annual surplus, as restated	$	86

3. **Adoption of new accounting framework (continued):**

Reconciliation of consolidated statement of financial position from Canadian GAAP to the financial reporting framework described in note 2(a) as at April 1, 2010:

	April 1, 2010 Previously stated	Adjustments / Reclassifications	April 1, 2010 Restated
Financial assets			
Cash (b)	-	-	-
Accounts receivable (b)	4,301	4,267	34
Recipient advances	533	-	533
Program advances (b)	96	(96)	-
Due from other governments	-	4,300	4,300
Liabilities			
Cheques written in excess of cash balance (b)	342	(65)	277
Accounts payable and accrued liabilities (b)	1,417	155	1,572
Future employee benefits	171		171
Due to Province of British Columbia	709	-	709
Deferred contributions (a)(d)	2,055	(728)	1,327
Note payable	1,561	-	1,561
Non-financial assets			
Tangible capital assets (c)(d)	478	2	480
Prepaid expense (b)	1,181	153	1,334
Intangible assets (c)(d)	122	(122)	-
Accumulated surplus (a)	456	608	1,064

3. Adoption of new accounting framework (continued):

Reconciliation of consolidated statement of financial position from Canadian GAAP to the financial reporting framework described in note 2(a) as at March 31, 2011:

	March 31, 2011 Previously stated	Adjustments / Reclassifications	March 31, 2011 Restated
Financial assets			
Cash (b)(e)	7,426	432	7,858
Restricted cash held in trust (e)	377	(377)	-
Accounts receivable (b)	1,276	(1,062)	214
Recipient advances	317	-	317
Due from other governments	-	1,146	1,146
Liabilities			
Accounts payable and accrued liabilities (b)	1,875	583	2,458
Future employee benefits	-	171	171
Restricted funds held in trust (e)	377	(377)	-
Program payables (b)	460	(460)	-
Due to Province of British Columbia	104	-	104
Deferred contributions (a)(d)(e)	6,392	(175)	6,217
Non-financial assets			
Tangible capital assets (c)(d)	275	6	281
Prepaid expense (b)	129	155	284
Intangible assets (c)(d)	150	(150)	-
Accumulated surplus (a)	742	408	1,150

3. Adoption of new accounting framework (continued):

Reconciliation of consolidated statement of operations from Canadian GAAP to the financial reporting framework described in note 2(a) for the year ended March 31, 2011:

	March 31, 2011 Previously stated	Adjustments / Reclassifications	March 31, 2011 Restated
Revenue			
Government contributions – Province (a)	18,898	3,098	21,996
Government contributions – Federal	-	3,702	3,702
Government contributions – Other	-	332	332
Other revenue	-	75	75
Investment income	-	27	27
Contribution for Wenchuan Reconstruction Projects	4,772	(4,772)	-
Contribution for China Demonstration Projects	2,637	(2,637)	-
Expenses			
Market development	9,574	-	9,574
China market	10,232	46	10,278
Market initiatives and outreach	4,784	109	4,893
Corporate services	1,100	201	1,301
Amortization	331	(331)	-
Annual surplus	**286**	**(200)**	**86**

Key adjustments on the Company's consolidated financial statements resulting from the adoption of these accounting standards are as follows:

(a) Previously, the Company deferred and amortized contributions which were spent on acquiring or developing tangible capital assets and advance deposits. Under the Treasury Board Restricted Contributions Regulation 198/2011 described in note 2(a), only contributions that are provided for the purpose of acquiring or developing depreciable tangible capital assets should be deferred and recognized as revenue at the same rate as the useful life of the tangible capital asset. Other contributions are recognized as revenue in the period during which the stipulation or restriction on the contribution has been met. The Company's funding arrangement with the Province does not state that the contributions are for the purpose of acquiring tangible capital assets or advance deposits. As a result, the consolidated financial statements have been revised to recognize revenue for the contributions once spent on acquiring or developing tangible capital assets and advance deposits. The resulting decrease to deferred contributions as at April 1, 2010 was $608 consisting of $480 from capital assets and $128 from advance deposits. A reduction in revenue of $200 resulted in a decrease to annual surplus in the 2011 fiscal year.

3. Adoption of new accounting framework (continued):

(b) Previously, the Company accounted for the assets and liabilities of FII Shanghai on a net basis within program advances and/or program payables. Under the financial reporting framework described in note 2(a), subsidiaries are consolidated on a line-by-line basis after eliminating inter-company transactions and balances. The impact arising from consolidation of FII Shanghai is summarized as follows:

Consolidated statement of financial position *Increase / (decrease)*	March 31, 2011	April 1, 2010
Cash	$ 55	$ 65
Accounts receivable	84	33
Accounts payable and accrued liabilities	754	155
Prepaid expenses	155	153
Program advances	-	(96)
Program payables	(460)	-
Change in accumulated surplus	$ -	$ -

(c) Computer software is included in the definition of a tangible capital asset under the financial reporting framework described in note 2(a). The consolidated financial statements have been revised to reclassify computer software of $2 as at April 1, 2010 and $6 as at March 31, 2011, previously recorded as an intangible asset, to tangible capital assets.

3. Adoption of new accounting framework (continued):

(d) Website costs are not included in the definition of tangible capital assets under the financial reporting framework described in note 2(a). The impact arising from the change is summarized as follows:

Consolidated statement of financial position *Increase / (decrease)*	March 31, 2011	April 1, 2010
Deferred contributions	$ (144)	$ (120)
Intangible assets	(144)	(120)
Change in accumulated surplus	$ -	$ -

Consolidated statement of operations *Increase / (decrease)*	March 31, 2011
Government contributions - Province	$ -
Market initiative and outreach	-
Change in annual surplus	$ -

(e) Restricted cash held in trust and restricted funds held in trust of $377 relate to funding received from the Beichuan Municipal County (BMC) specifically for costs incurred by the general contractor, Fu Yuan on the Beichuan Reconstruction Project. Under the financial reporting framework described in note 2(a), contributions received for a specified purpose should be recorded as deferred contributions and recognized as revenue when the stipulations have been met. The consolidated financial statements have been revised to reclassify restricted cash held in trust to cash, and to reclassify restricted funds held in trust to deferred contributions.

4. Recipient advances:

Recipient funding contracts stipulate that unspent advances are repaid back to the Company. Historically unspent advances have been repaid back to the Company prior to the end of the first quarter of the new fiscal year after final reconciliation reports have been submitted and final audits have been completed. As at March 31, 2012, the Company has identified $467 (March 31, 2011 - $317, April 1, 2010 - $533) as repayable by the recipient organizations.

5. Accounts payable and accrued liabilities:

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 833	$ 981	$ 524
Accrued liabilities	499	1,477	1,048
	$ 1,332	$ 2,458	$ 1,572

6. Future employee benefit:

	March 31, 2012	March 31, 2011	April 1, 2010
Future employee benefit (i)	171	171	171
	$ 171	$ 171	$ 171

(i) The Company has an obligation to pay a retirement allowance of $171 to a senior executive at the expiry of the employment agreement. The contract expired March 31, 2012 with the retirement allowance to be paid in full in early fiscal 2013.

7. Due to Province of British Columbia:

The Company receives funding from the Province pursuant to a funding agreement. Under the terms of the funding agreement, on an annual basis, the Company is required to refund any unspent amounts to the Province. The amount is due to the Province upon completion of the final audited financial report and is not subject to interest charges.

	2012	2011
Balance, beginning of year	$ 104	$ 709
Payments refunded back to the Province	(104)	(709)
Funds received for current year operations	20,788	22,275
Interest earned during the period	29	27
Program expenses	(20,537)	(22,198)
Balance, end of year	$ 280	$ 104

8. Deferred contributions:

Deferred contributions are comprised of the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Deferred contributions - Provincial	$ -	$ 5,710	$ -
Deferred contributions – Government of Canada	13	130	1,327
Deferred contributions – Other	80	-	-
Other – restricted cash (see note 3(e))	93	377	-
	$ 186	$ 6,217	$ 1,327

The change in deferred contributions in the year is as follows

	2012	2011
Balance, beginning of year	$ 6,217	$ 1,327
Net advances against program expenditure – Provincial	(5,710)	5,710
Net advances against program expenditure – Government of Canada	(117)	(1,197)
Net advances against program expenditures – other	80	-
Net advances against program expenditure – restricted cash	(284)	377
Balance, end of year	$ 186	$ 6,217

9. Note payable:

The Company signed a $1,561 short-term note with a Canadian financial institution on March 31, 2010 against 90 percent of its accounts receivable invoices outstanding from the Federal Government of Canada contract with a fair market value of $1,734 for the Wenchuan Reconstruction Projects. The note required interest payable monthly at prime plus 0.5 percent. Interest was effective April 1, 2010 and repayment of the loan was made in full in 2010 upon receipt of payment of accounts receivable outstanding from the Federal Government (note 12).

	March 31, 2012	March 31, 2011	April 1, 2010
Note payable	$ -	$ -	$ 1,561

10. Tangible capital assets:

(a) For the year ended March 31, 2012:

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Computer equipment	$ 569	$ 49	$ (18)	$ 600
Computer software	108	9	(41)	76
Furniture and equipment	338	15	-	353
Leasehold improvements	215	50	-	265
Tradeshow booths	734	81	(336)	479
Total	$ 1,964	$ 204	$ (395)	$ 1,773

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Computer equipment	$ 481	$ (18)	$ 55	$ 518
Computer software	103	(41)	4	66
Furniture and equipment	270	-	27	297
Leasehold improvements	156	-	47	203
Tradeshow booths	673	(336)	60	397
Total	$ 1,683	$ (395)	$ 193	$ 1,481

	Net book value March 31, 2011	Net book value March 31, 2012
Computer equipment	$ 87	$ 81
Computer software	5	10
Furniture and equipment	68	56
Leasehold improvements	59	62
Tradeshow booths	62	83
Total	$ 281	$ 292

10. Tangible capital assets (continued):

(b) For the year ended March 31, 2011:

Cost	Balance at April 1, 2010	Additions	Disposals	Balance at March 31, 2011
Computer equipment	$ 593	$ 31	$ (55)	$ 569
Computer software	128	6	(26)	108
Furniture and equipment	330	11	(3)	338
Leasehold improvements	215	-	-	215
Tradeshow booths	1,872	-	(1,138)	734
Total	$ 3,138	$ 48	$ (1,222)	$ 1,964

Accumulated amortization	Balance at April 1, 2010	Disposals	Amortization expense	Balance at March 31, 2011
Computer equipment	$ 478	$ (55)	$ 58	$ 481
Computer software	126	(26)	3	103
Furniture and equipment	244	(3)	29	270
Leasehold improvements	122	-	34	156
Tradeshow booths	1688	(1,138)	123	673
Total	$ 2,658	$ (1,222)	$ 247	$ 1,683

	Net book value April 1, 2010	Net book value March 31, 2011
Computer equipment	$ 115	$ 87
Computer software	2	5
Furniture and equipment	86	68
Leasehold improvements	93	59
Tradeshow booths	184	62
Total	$ 480	$ 281

(c) Assets under construction:

There were no tangible capital assets under construction or development as at March 31, 2012, March 31, 2011, and April 1, 2010.

(d) Contributed tangible capital assets:

There were no tangible capital assets received as contributions during the years ended March 31, 2012 and 2011.

10. Tangible capital assets (continued):

(e) Tangible capital assets disclosed at nominal values:

Cost includes the fair market value of certain assets transferred to the Company from the Province effective April 1, 2003, for one dollar. These assets are now fully amortized.

(f) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was nil (2011 – nil).

11. Accumulated surplus:

	March 31, 2012	March 31, 2011	April 1, 2010
Share capital (a)	$ -	$ -	$ -
Other (b)	1,170	1,150	1,064
	$ 1,170	$ 1,150	$ 1,064

(a) The Company has authorized capital of 100 common shares without par value of which 10 shares are issued and outstanding. The Minister of Jobs Tourism and Innovation holds the shares issued as the designated representative of Her Majesty the Queen in right of the Province.

(b) Other accumulated surplus of $1,170 (March 31, 2011 - $1,150, April 1, 2010 - $1,064) represents funds received from the Government of Canada, in excess of expenditures incurred of $750 (March 31, 2011 - $741, April 1, 2010 - $456), and funds received from the Province that were spent on tangible capital assets of $292 (March 31, 2011 - $281, April 1, 2010 - $480) and advance deposits of $128 (March 31, 2011 - $128, April 1, 2010 - $128). The Company's funding agreement with the Province allows for the carryover of any funds received from sources outside of the Province into future periods.

12. Commitments:

(a) The Company has lease commitments for its premises it occupies.

2013	$	793
2014		453
2015		-
2016		-
2017		-
Thereafter		-
	$	1,246

(b) The Company also has an obligation to pay $645 (2011 - $1,073) for contracts entered into, and not yet completed at March 31, 2012.

13. Wenchuan Reconstruction Projects:

In June of 2008, British Columbia (B.C.) Premier Gordon Campbell and the Honourable Gary Lunn, Canadian Minister of Natural Resources, announced a $8,000 donation to provide wood-frame buildings to help survivors of China's Wenchuan Earthquake.

The initiative was a collaborative effort between the Government of Canada and the Province. The Province provided $5,000 and the Government of Canada contributed $3,000. This involved constructing permanent wood-frame structures, including a school, a seniors' home, and a rehabilitation centre for physically disabled. All were built of Canadian structural lumber and used modern wood frame construction technology.

The reconstruction projects were being managed by the Company and delivered through FII Shanghai. The latter was responsible for negotiating the terms of each project and managing it to completion. Canada Wood Group China, was providing on-the-ground quality assurance. The initiative was expected to continue over three years with final completion targeted now for early fiscal 2013.

The Company received/incurred the following funding and costs related to this initiative as follows:

13. Wenchuan Reconstruction Projects (continued):

	2012	2011
Funding from the Province	$ -	$ 3,300
Funding from the Government of Canada	-	1,140
Funding from Beichuan Municipal County, China	284	332
Project costs	(880)	(4,690)
	$ (596)	$ 82

14. China Wood Frame Demonstration Projects:

In fiscal 2010, the Company and the Government of Canada, through the Minister of Natural Resources, entered into an agreement where Natural Resources Canada contributed $3,300 for wood frame demonstration projects in China. A further $2,600 contribution was made in fiscal 2011 towards these initiatives.

The projects are a collaborative effort to illustrate a wide range of building applications using wood. These include wood frame elements such as wood truss roofs, interior partition walls, and exterior infill walls in multi-storey, multi-family housing. Projects will demonstrate the merits of wood-frame building and related technology, and the quality of Canadian/ B.C. wood products, and will advance the acceptance of structural wood building systems in China.

The demonstration projects are being managed by the Company and delivered through FII Shanghai. As with most demonstration projects, FII Shanghai is responsible for negotiating the terms of each project and managing it to completion. Canada Wood Group China is providing on-the-ground quality assurance expertise.

The Company received/incurred the following funding and costs related to this initiative as follows:

	2012	2011
Funding from the Government of Canada	$ -	$ 2,562
Canada Wood Group	762	-
Forest Products Association of Canada	-	75
Project costs	(1,015)	(2,761)
	$ (253)	$ (124)

15. Segmented information:

Segmented information has been identified based upon programs provided by the Company. Company programs and their activities are reported by functional area in the body of the financial statements. Programs that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Funding Recipient Initiatives

Uses project funding delivered through an annual "Call for Proposals" in partnership with the Government of Canada to fund forest industry associations and research institutions, to:

- maintain and create opportunities for B.C. wood products in existing and emerging markets;
- ensure that customers, consumers, designers, builders, developers and architects know about B.C. wood products and the many positive features they bring to wood-frame construction and interior finishing;
- support the development of innovative new forest products; and
- provide interested parties around the world with information on the properties and qualities of B.C.'s forest products and the B.C. companies that supply them.

(b) Market Initiatives and Outreach Program

i.) FII Vancouver

Internally direct delivered programs that:

- identify potential opportunities for B.C. forest products through market research and develop market access strategies;
- ensure B.C. forest products have access to markets free from regulatory and other barriers through initiatives and research; and
- provide customers and foreign regulators with facts about the environmental merits of B.C. forest products, including the sustainable forest management regime that underlies their production.

Environmental campaigns that promote misleading or incorrect information are quickly challenged by the Company and its partners. They also monitor development of draft legislation and procurement policies in other jurisdictions, and intervene if necessary to obviate or minimize measures that would impair the flow of B.C. forest products into a particular market. They do this in part by making relevant officials aware of frequently unintended consequences if draft legislation or policy is adopted.

15. Segmented information (continued):

ii.) FII China

China market initiatives and outreach perform the following activities:

- Liaise with Chinese government agencies at the district, municipal, provincial and national levels to understand their needs and aspirations, and determine how they can be met by the B.C. forest industry;
- Broker relationships between Chinese officials and the Canadian private sector; and
- Inform the programs delivered by Canadian forest industry trade associations in China.

(c) Corporate Services:

Corporate services perform the following activities:

- Ensure financial reporting to government standards;
- Provide Human Resource, IT and office services to meet organizational needs;
- Oversee budget and planning controls in alignment with strategic objectives; and
- Provide corporate communication and analytical services to meet internal and external needs.

15. Segmented information (continued):

2012	Funding recipient initiatives	Market initiatives and outreach – FII China	Market initiatives and outreach – FII Vancouver	Corporate services	Total
Revenues:					
Government contributions – Provincial	$ 8,203	$ 3,633	$ 7,271	$ 1,413	$ 20,520
Government contributions – Federal	-	117	-	-	117
Government contributions – Other	-	284	-	-	284
Other revenue	-	762	-	-	762
Investment income	-	-	-	38	38
Total revenues	8,203	4,796	7,271	1,451	21,721
Expenses:					
Amortization	-	43	-	150	193
Auditing	75	34	-	87	196
Grants	-	-	2,627	-	2,627
Office costs	-	769	188	176	1,133
Professional services	130	329	1,696	322	2,477
Program costs	7,708	2,292	1,564	-	11,564
Salaries wages and benefits	290	1,133	1,004	619	3,046
Trade missions	-	-	21	-	21
Travel and business costs	-	196	171	77	444
Total expenses:	8,203	4,796	7,271	1,431	21,701
Annual surplus (deficit)	$ -	$ -	$ -	$ 20	$ 20

15. Segmented information (continued):

2011	Funding recipient initiatives	Market initiatives and outreach – FII China	Market initiatives and outreach – FII Vancouver	Corporate services	Total
Revenues:					
Government contributions – Provincial	$ 9,574	$ 6,531	$ 4,893	$ 908	$ 21,996
Government contributions – Federal	-	3,702	-	-	3,702
Government contributions – Other	-	332	-	-	332
Other revenue	-	75	-	-	75
Investment income	-	-	-	27	27
Total revenues	9,574	10,640	4,893	1,025	26,132
Expenses:					
Amortization	-	46	-	201	247
Auditing	120	22	-	61	203
Grants	-	-	1,952	-	1,952
Office costs	-	730	171	179	1,080
Professional services	149	297	1,340	267	2,053
Program costs	9,015	7,813	353	(16)	17,165
Salaries wages and benefits	290	1,178	941	536	2,945
Trade missions	-	-	18	-	18
Travel and business costs	-	192	118	73	383
Total expenses:	9,574	10,278	4,893	1,301	26,046
Annual surplus (deficit)	$ -	$ 362	$ -	$ (276)	$ 86

Forestry Innovation Investment Ltd.

Various Sections

FIR, Schedule 1,
section 2

Statement of Assets & Liabilities

Information on all Assets & Liabilities is available in the Consolidated Statement of Financial
Position and Statement of Changes in Net Financial Assets (Debt) of the Consolidated Financial Statements.

FIR, Schedule 1, section 3

Operational Statement

Information on the Operational Statement is available in the Consolidated Statement of Operations and Accumulated Surplus of the Consolidated Financial Statements.

FIR, Schedule 1, section 4

**Schedule of
Debts**

There are no outstanding Capital Leases for this organization for the fiscal year 2011/2012

Forestry Innovation Investment Ltd.

Schedule of Guarantee and Indemnity Agreements

FIR, Schedule 1, section 5

Information on all guarantees and indemnities for this organization is included in Note 12 of the Financial Statements.

Forestry Innovation Investment Ltd.

Schedule Showing The Remuneration and Expenses Paid To Or On Behalf Of Each Employee

FIR, Schedule 1, section 6

1 Members of the Board of Directors

Name	Position	Remuneration [1]	Expenses
Hayden, D	Chair	-	-
Wanamaker, L	Director	-	-
Peterson, D	Director	-	-
Total		-	-

2 Other Employees

Name	Remuneration [2]	Expenses
Baker, K	$ 173,353	$ 26,931
Bridgman, L	106,362	4,217
Dou, L	137,998	19,959
Florin, B	88,982	8,863
Greig, D	162,247	24,409
Hogan, M	282,353	16,188
Huang, F	127,095	13,548
Lee, H	78,976	9,146
Liang, S	75,246	32,830
Lim, N	93,983	12,191
Liu, G [4]	120,681	3,596
Loseth, M	170,463	90,222
Pow, E [4]	77,736	3,907
Raworth, J	84,608	9,376
Regan, K	119,456	9,545
Sanderson, P	110,366	31,492
Smith, G	106,303	6,363
Xu, S [4]	110,596	-
Zeitler-Fletcher, S	123,911	21,080
Zhuang, B	107,943	15,990
Consolidated total of other employees with remuneration and expenses of $75,000 or less	413,613	28,859
Total: Other Employees	$ 2,872,270	$ 388,712

3 Reconciliation

Total remuneration-board of directors	$ -
Total remuneration - other employees	2,872,270
Total benefits and other overhead charges [5]	114,989
Total	$ 2,987,259
Total per segmented note disclosure 15 of the Consolidated Financial Statements	3,045,674
Variance [6]	$ (58,415)

Notes:

1. There was no remuneration paid to or expenses reimbursed by Forestry Innovation Investment Ltd. to its board members

2. Remuneration includes any form of salary, wages, vacation payout, severance and taxable benefits (includes RRSP contributions)

3. Expenses include travel expenses, memberships, tuition, and similar amounts paid directly to or on behalf of an employee

4. Includes severance payment upon termination

5. Total benefits and other overhead charges includes employer paid health benefits, company portion of WCB, and overhead charges

6. Variance from financial reporting reflects company portion of EI and CPP recorded in the Schedule of Goods and Services rather than the Schedule of Remuneration and Expenses

Forestry Innovation Investment Ltd.

Statement of Severance Agreements

FIR, Schedule 1, subsection 6 (7)

There were four severance agreement under which payment commenced between Forestry Innovation Investment Ltd. and its non-unionized employees during fiscal year 2011/2012.

These agreements represent from three to eight months of compensation*

*Compensation was based on salary and benefits on the agreement.
Benefits include extended group health, transportation and mobile benefits.

Forestry Innovation Investment Ltd.

Schedule Showing Payments Made For the Provision of Goods or Services

FIR, Schedule 1, section 7

1 Alphabetical list of suppliers who received aggregate payments exceeding $25,000

Supplier Name	Aggregate Amount paid to Supplier
6S Marketing Inc.	$ 29,925
Ace Global Consulting LLP	97,657
APA - The Engineered Wood Association	117,598
Athena Institute	49,920
Barbershop Films Inc.	25,991
BC Wood Specialties Group	1,167,001
Beijing Kuntai Office Rental	90,044
Beijing Sheng Dalian Property Management Co., Ltd.	26,941
Bentall Kennedy (Canada) Ltd. Partnership	184,054
Blake, Cassels & Graydon LLP	98,355
BMO MasterCard	52,384
Burnkit Creative Inc.	30,045
C Squared Advertising	28,626
Canada Wood Group	3,505,409
Canadian Wood Council	435,798
Caterra Consulting Ltd.	46,129
CFT Engineering Inc.	45,231
Chreod	25,241
Coast Forest Products Association.	183,783
Cortex Consultants Inc.	162,844
Council of Forest Industries	501,047
Dave Patterson	38,536
Davies & Co.	84,813
Edelman	141,863
Euro Homes Group (HK) Co., Limited	36,520
Fleishman-Hillard Canada	71,458
Foreign Affaris and Int. Trade Canada	60,800
FPInnovations	509,364
Fu Weizhou	35,688
Glasgow Rental Management Srvcs Corp.	93,500
Grant Thornton Shanghai	52,208
Grey Vancouver ULC	33,975
Hangar 18 Creative Group Inc.	41,713
Hanley Wood LLC	27,237
Hill & Knowlton (USA)	100,793
Insite Management Ltd.	136,130
INTECH Building Co.,Ltd.	98,412
Ken Heit Creative	195,197
Ketchum Communications Ltd.	26,400
KPMG	32,624
Lois Looman	87,985

Supplier Name	Aggregate Amount paid to Supplier
Mianyang Car Rental	30,092
Minister of Finance-Queens Printer	38,812
MSC Marketing Solutions Consulting Ltd.	52,969
Nobel Merit Investment Limited	132,292
NRCan / Canadian Forest Service	41,491
NRCan / Canadian Forest Service -FMP	104,047
Phil Dueck	54,527
Raymond Lu	49,407
Receiver General for Canada	58,415
Shanghai HaiChen Property Management Co.,Ltd.	301,905
Shanghai Imperial Palace Construction Co.	85,000
Shanghai Jinqiao Property Management Co.	292,044
Shanghai LvJian Design & Decoration Co.,Ltd.	242,423
ShenZhen HuiJing South Wood Co., Ltd.	55,112
SiChuan FuYuan Constuction Co.,Ltd.	126,888
SiChuan ShenAnJu WFC Co.,Ltd.	38,050
Sinopanel Trade Co.,Ltd.	410,310
Tang Dongdong	31,525
Tara Pratt	30,439
The McGraw-Hill Companies	252,093
The University of British Columbia	244,845
Thomas Leung	109,124
TP Systems Ltd.	133,077
Tradeworks Training Society	27,000
University of BC-Industry Liason	90,000
USGBC	34,332
Western Red Cedar Export Association	237,601
Western Red Cedar Lumber Association.	842,894
Wood Pellet Association of Canada	52,033
Wood Products Council	678,566
Workman Consulting	26,951
YongAn Steel Structure Processing Factory in XinDu District	59,576
Total aggregate amount paid to suppliers	**13,773,077**

2	**Consolidated total paid to suppliers who received aggregate payments of $25,000 or less**	**$ 1,447,265**
3	**Consolidated total of all grants and contributions exceeding $25,000** [2,3]	**$ 3,092,024**

4 Reconciliation

Total of aggregate payments exceeding $25,000 paid to suppliers	$ 13,773,077
Consolidated total of payments of $25,000 or less paid to suppliers	1,447,265
Consolidated total of all grants and contributions exceeding $25,000	3,092,024
Employee remuneration and expenses [1]	3,375,971
Change in capital assets net of amortization	11,714
Total	$ 21,700,050
Total per Schedule of Expenditures by Business Segment	21,700,050
Variance	$ -

Notes:

1 Employee wages, related expenses, and travel were recorded in the Schedule of Expenditures but not in the Schedule of Goods and Services.

2 The difference in grants as reported in the segmented note disclosure of the Consolidated Financial Statements and below in note 3 reflects grants reported under program costs in segmented note disclosure and separated out for financial information reporting.

3 The payments reported in this section of the Financial Act include Grants and Contributions as follow

Amounts greater than $25,000

Binational Softwood Lumber Council	$	85,128
Canada Wood Group		2,262,500
Canadian Wood Council		145,000
Forest Products Association of Canada		50,000
FPInnovations		300,000
Minister of Finance - MAIBC		210,000
Mongolian University of Science & Technology		39,396
Total	$	3,092,024
Accounts under $25,000		15,000
Total Grants and Contributions	**$**	**3,107,024**